

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name CHESTER TOWNSHIP	County OTTAWA
Fiscal Year End 3/31/07	Opinion Date 6/8/07	Date Audit Report Submitted to State 6/15/07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

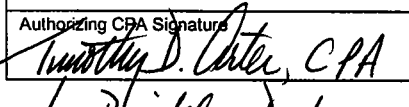
US
2

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) BRICKLEY DELONG, PLC		Telephone Number 231-726-5800		
Street Address 316 MORRIS		City MUSKEGON	State MI	Zip 49443
Authorizing CPA Signature  for Brickley De Long, PLC		Printed Name TIMOTHY D. ARTER		License Number 10253

Chester Township
Ottawa County, Michigan

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

Year ended March 31, 2007

Chester Township

TABLE OF CONTENTS

Management's Discussion and Analysis.....	i - vii
Independent Auditors' Report.....	1
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets.....	2
Statement of Activities	3
Fund Financial Statements	
Governmental Funds	
Balance Sheet.....	4
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	5
Statement of Revenues, Expenditures and Changes in Fund Balances	6
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	7
Proprietary Funds	
Statement of Net Assets.....	8
Statement of Revenues, Expenses and Changes in Fund Net Assets	9
Statement of Cash Flows	10
Statement of Fiduciary Assets and Liabilities	11
Notes to Financial Statements	12
Required Supplementary Information	
Budgetary Comparison Schedule—General Fund	23
Budgetary Comparison Schedule—Fire Fund	24
Budgetary Comparison Schedule—Road Fund	25
Budgetary Comparison Schedule—Improvement Revolving Fund	26
Budgetary Comparison Schedule—Parks Fund	27
Other Supplemental Information	
Combining Statement of Assets and Liabilities—Agency Funds	29

Chester Township

Management's Discussion and Analysis

As management of Chester Township, we present to the readers of the Township's financial statements this overview and analysis of the financial activities of Chester Township for the fiscal year ended March 31, 2007. We encourage you to consider the information presented in these financial statements along with the additional information that has been furnished in this letter.

FINANCIAL HIGHLIGHTS

The General Fund fund balance decreased by \$72,929. This decrease was due to a large increase in transfers to the Improvement Revolving Fund and the Park Fund. The transfers were increased to fund park improvements and to prepare for the construction of a new township hall.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Township's finances. These statements are similar to those of a private sector business.

The Statement of Net Assets presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The Statement of Activities presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

Both of the government-wide financial statements mentioned above distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are designed to recover all or a significant part of their costs through user fees and charges for services (business type activities). The governmental activities of the Township include general government, public safety, public works and cultural and recreational activities. The business-type activities of the Township include sewer services.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into three categories—governmental funds, proprietary funds and fiduciary funds.

Chester Township

Management's Discussion and Analysis

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating a governmental entity's short-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between the two.

Chester Township maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Fire Fund, Road Fund, Improvement Revolving Fund and Park Fund, which are considered to be major funds. The Township has one non-major fund, the Budget Stabilization Fund.

Proprietary Funds. Chester Township has one enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township uses the enterprise fund to account for its sewer operations. Data from the other funds are combined into a single aggregate presentation.

Enterprise funds provide the same type of information as the government-wide financial statements, only in more detail. The enterprise fund financial statements provided separate information for the Sewer fund, which is a major fund.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are not reflected on the government-wide financial statements because the resources from those funds are not available to support the Township's programs. The accounting method used for fiduciary funds is much like that used for the proprietary funds.

Notes to Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The reader is encouraged to include the reading of this section in any attempt to analyze and understand these statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Township's budgetary information as it relates to the actual expenditures for the General Fund, Fire Fund, Road Fund, Improvement Revolving Fund and Park Fund.

Chester Township

Management's Discussion and Analysis

Government-wide Financial Analysis

The first table presented on the next page is a summary of the government-wide Statement of Net Assets for Chester Township. The current assets increased by \$163,668 due to an increase in net assets. Capital assets increased due to the purchase of various new capital assets, offset by normal depreciation. Liabilities increase due to construction activities and the purchase of a warning siren. The business-type activities (Sewer Fund) capital assets decreased due to normal depreciation of assets.

As stated earlier, the net assets may be used as an indicator of a government's financial health. As of March 31, 2007, the Township's net assets from governmental activities totaled \$2,100,706 (68.3%) and \$975,890 (31.7%) from business-type activities, creating a total government-wide net assets total of \$3,076,596.

In examining the composition of these net assets, the reader should note that governmental activities net assets are invested in capital assets (i.e., buildings, land, vehicles, equipment, etc). These assets are used to provide services to the Township's residents, and they are not available to pay salaries, operational expenses or fund capital projects. The unrestricted net assets for governmental-type activities are \$1,392,460. This represents the amount of discretionary cash or investments that can be used for general governmental operations.

The business-type activities show a total of \$975,890 in net assets and \$70,913 in unrestricted net assets.

Net Assets

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current assets and						
other assets	\$ 1,421,568	\$ 1,257,900	\$ 492,232	\$ 487,088	\$ 1,913,800	\$ 1,744,988
Capital assets	708,246	690,020	1,150,610	1,178,227	1,858,856	1,868,247
Total assets	2,129,814	1,947,920	1,642,842	1,665,315	3,772,656	3,613,235
Current liabilities	29,108	8,827	19,952	20,018	49,060	28,845
Noncurrent liabilities	-	-	647,000	654,000	647,000	654,000
Total liabilities	29,108	8,827	666,952	674,018	696,060	682,845
Net assets						
Invested in capital assets,						
net of related debt	708,246	690,020	496,610	517,227	1,204,856	1,207,247
Restricted	-	-	408,367	422,638	408,367	422,638
Unrestricted	1,392,460	1,249,073	70,913	51,432	1,463,373	1,300,505
Total net assets	\$ 2,100,706	\$ 1,939,093	\$ 975,890	\$ 991,297	\$ 3,076,596	\$ 2,930,390

Chester Township

Management's Discussion and Analysis

Governmental Activities

Governmental activities increased by \$161,613 (8%) during the 2007 fiscal year. Charges for services decreased during the year due to a decrease in inspection fees resulting from a slow down in construction activity. Property tax revenues increased because of a few large lands sales which uncapped the taxable value along with normal inflationary increases in the taxable value. Investment earnings increased due to higher interest rates offered by a new bank along with generally higher interest rates for the entire year. There were no capital asset sales during the year. Public safety costs decreased due to a drop in fire calls and inspection. Public works decreased due to a drop in road maintenance costs.

Business-type activities

At the end of the fiscal year, the net assets for business-type activities decreased by \$15,407 or 1.5%. This decrease in net assets is an improvement of \$17,374 from the prior year. This improvement is the result of an increase in operating revenues due to an increase in rates and an increase in investment income which is primarily the result of better investment rates throughout the year.

Change in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program revenues						
Charges for services	\$ 39,281	\$ 50,564	\$ 36,764	\$ 24,630	\$ 76,045	\$ 75,194
General revenues						
Property taxes	275,240	252,542	-	-	275,240	252,542
Grants and contributions	190,347	192,498	-	-	190,347	192,498
Unrestricted investment earnings	57,625	29,912	23,837	19,480	81,462	49,392
Miscellaneous	4,322	9,943	-	-	4,322	9,943
Gain on sale of assets	-	7,576	-	-	-	7,576
Total revenues	566,815	543,035	60,601	44,110	627,416	587,145
Expenses:						
General government	190,558	186,568	-	-	190,558	186,568
Public safety	138,150	162,831	-	-	138,150	162,831
Public works	32,923	39,177	-	-	32,923	39,177
Community and economic development	19,725	-	-	-	19,725	-
Culture and recreation	23,846	12,048	-	-	23,846	12,048
Sewer Fund	-	-	76,008	76,891	76,008	76,891
Total expenses	405,202	400,624	76,008	76,891	481,210	477,515
Change in net assets	161,613	142,411	(15,407)	(32,781)	146,206	109,630
Net assets - Beginning	1,939,093	1,796,682	991,297	1,024,078	2,930,390	2,820,760
Net assets - Ending	\$ 2,100,706	\$ 1,939,093	\$ 975,890	\$ 991,297	\$ 3,076,596	\$ 2,930,390

Chester Township

Management's Discussion and Analysis

Financial Analysis of the Government's Funds

As stated earlier in this discussion and analysis, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the Township's governmental funds is to provide information on near-term inflows, outflows, and balances in spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unreserved fund balances or the lack thereof, may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the 2007 fiscal year, the Township's governmental funds reported a combined unreserved fund balance of \$1,369,104. This number represents the unreserved fund balance of \$232,302 in the General Fund, \$157,073 in the Fire Fund, \$609,951 in the Road Fund, \$333,804 in the Improvement Revolving Fund, \$10,558 in the Park Fund and \$25,416 in the Budget Stabilization Fund. It is necessary to further distinguish between the unreserved and reserved fund balance. The unreserved balance represents what is available for spending at the Township's discretion. The remainder of the fund balance of \$23,356 is reserved to indicate that it is not available for new spending because it has already been committed to liquidate commitments and purchase orders. When the fund balance has been adjusted to account for these reserves, the result is a final fund balance of \$1,392,460.

The General Fund had an increase in fund balance of \$72,929 due to an increase in transfers to other funds and an increase in capital outlay. Both of these increases were related to the new township hall construction. The General Fund transferred \$75,000 to the Improvement Revolving Fund in anticipation of the start of construction activities on the township hall itself. The General Fund also transferred \$50,000 to the Park Fund. The Park Fund incurred expenses for improvements to play ground equipment, purchase of bleachers and moving of the baseball field to facilitate the new township hall. The increase in capital outlay was mainly due to the purchase of warning sirens. These increased transfers were partially offset by a 6% increase in the Townships taxable value due to uncapping of taxable values and an increase in investment earnings due to higher rates. The Fire Fund had an increase in fund balance of \$30,468 as a result of a decrease in expenditures due to a drop in fire calls. The Road Fund had an increase in fund balance of \$109,528 primarily due to delaying of scheduled projects. The Improvement Revolving Fund increased as money was set aside for the construction of a new township hall.

Proprietary Funds

The Township proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail. Net assets in the Sewer Fund decreased by \$15,407. This decrease is primarily the result of depreciation of the capital assets.

Chester Township

Management's Discussion and Analysis

General Fund Budget

During the current fiscal year, the Township made a couple amendments to its original budget. The most significant of those is listed below:

- The original capital outlay budget was increased by \$13,000 to include the purchase of a warning siren.
- The original transfer budget was amended to increase the transfers to the Improvement Revolving Fund and Park Fund. The transfers to the Improvement Revolving Fund were set aside for the construction of the new township hall. The Park Fund transfers were increased to fund the costs associated with adjustment to the park to facilitate the new township hall.

The following comments summarize the major variations from the final budget to actual revenues and expenditures.

Revenues

- Property tax revenues were over budget due a large amount of uncapping occurring during the year.
- Licenses and permits were under budget due to a large drop in construction activity.
- Intergovernmental revenues - state budget was budgeted low in anticipation of State of Michigan budget cuts that did not transpire.
- Investment earnings were higher than budget due to switching of banks which resulted in overall higher interest rates.

Expenditures

- Assessor expenditures were under budget due to a drop in construction activity.
- Legal and audit expenditures were under budget due to a drop in audit fees.

Capital Assets Administration

Chester Township's investment in capital assets for its governmental and business-type activities as of March 31, 2007 totaled \$1,858,856 (net of accumulated depreciation). This investment in capital assets includes land, buildings, land improvements, utility systems, equipment and vehicles. Major capital asset additions during the year were a new baseball field, bleachers and a warning siren.

Chester Township

Management's Discussion and Analysis

Capital Assets (Net of Accumulated Depreciation)

	Governmental		Business-type		Total	
	Activities		Activities			
	2007	2006	2007	2006	2007	2006
Land	\$ 55,710	\$ 55,710	\$ -	\$ -	\$ 55,710	\$ 55,710
Land improvements	61,193	33,508	-	-	61,193	33,508
Buildings	291,207	297,059	-	-	291,207	297,059
Equipment	50,249	37,646	-	-	50,249	37,646
Vehicles	249,887	266,097	-	-	249,887	266,097
Sewer system	-	-	1,150,610	1,178,227	1,150,610	1,178,227
Total	\$ 708,246	\$ 690,020	\$ 1,150,610	\$ 1,178,227	\$ 1,858,856	\$ 1,868,247

Additional information on the Township's capital assets can be found in Note D of the "Notes to Financial Statements" of this report.

Long-Term Debt

At the end of the 2007 fiscal year, Chester Township had total outstanding revenue bonds of \$654,000. This was a decrease of \$7,000 from the prior year. These bonds will be repaid by the Sewer Fund through special assessment collections and additional debt service billing.

Additional information on the Township's long-term debt can be found in Note F of the "Notes to Financial Statements" of this report.

General Economic Overview

The Township is anticipating the construction of a new township hall during 2008. The new building is expected to cost approximately \$425,000. The Township also expects to occur approximately an additional \$100,000 in land improvements and furniture and fixtures related to the new building.

The Township also expects to incur approximately \$100,000 in road work, \$8,000 in sidewalks and \$10,000 in drain costs.

The General Fund is comprised of two major revenue sources, state revenue sharing and property tax revenue. Those two sources comprised 82% of the General Fund revenue sources. The state revenues are affected by the State of Michigan budget along with sales tax collections. State revenue sharing is not expected to increase in fiscal year 2008. Property tax revenues are expected to increase 3 to 4 percent due to normal inflationary increases in taxable value.

Requests for Information

This financial report is designed to provide a general overview of Chester Township's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Chester Township, 19340 32nd Avenue, Conklin, Michigan, 49403, (616) 899-5544.

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

June 11, 2007

Township Board
Chester Township
Conklin, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Chester Township, Michigan as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Chester Township, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Chester Township, Michigan, as of March 31, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages i - vii and 23 - 27 are not a required part of the basic financial statement but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Chester Township, Michigan's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Chester Township
STATEMENT OF NET ASSETS
March 31, 2007

ASSETS

	Governmental activities	Business-type activities	Total
CURRENT ASSETS			
Cash and investments	\$ 1,349,220	\$ 49,283	\$ 1,398,503
Receivables	19,679	23,409	43,088
Due from other governmental units	29,313	-	29,313
Prepaid items	23,356	-	23,356
Total current assets	1,421,568	72,692	1,494,260
NONCURRENT ASSETS			
Restricted assets			
Cash and investments	-	186,552	186,552
Special assessments receivable	-	226,438	226,438
Interest receivable	-	6,550	6,550
Capital assets, net			
Nondepreciable	55,710	-	55,710
Depreciable	652,536	1,150,610	1,803,146
Total noncurrent assets	708,246	1,570,150	2,278,396
Total assets	2,129,814	1,642,842	3,772,656
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	26,447	11,173	37,620
Due to other governmental units	2,661	1,779	4,440
Bonds and other obligations, due within one year	-	7,000	7,000
Total current liabilities	29,108	19,952	49,060
NONCURRENT LIABILITIES			
Bonds and other obligations, less amounts due within one year	-	647,000	647,000
Total liabilities	29,108	666,952	696,060
NET ASSETS			
Invested in capital assets, net of related debt	708,246	496,610	1,204,856
Restricted for debt service	-	408,367	408,367
Unrestricted	1,392,460	70,913	1,463,373
Total net assets	\$ 2,100,706	\$ 975,890	\$ 3,076,596

The accompanying notes are an integral part of this statement.

Chester Township
STATEMENT OF ACTIVITIES
For the year ended March 31, 2007

<i>Functions/Programs</i>	Expenses	Program Revenue Charges for services	Net (Expense) Revenue and Changes in Net Assets		
			Governmental activities	Business-type activities	Total
Governmental activities					
General government	\$ 190,558	\$ 24,104	\$ (166,454)	\$ -	\$ (166,454)
Public safety	138,150	15,177	(122,973)	-	(122,973)
Public works	32,923	-	(32,923)	-	(32,923)
Community and economic development	19,725	-	(19,725)	-	(19,725)
Culture and recreation	23,846	-	(23,846)	-	(23,846)
Total governmental activities	405,202	39,281	(365,921)	-	(365,921)
Business-type activities					
Sewer	76,008	36,764	-	(39,244)	(39,244)
	<u>\$ 481,210</u>	<u>\$ 76,045</u>	(365,921)	(39,244)	(405,165)
General revenues					
Property taxes			275,240	-	275,240
Grants and contributions not restricted to specific programs			190,347	-	190,347
Unrestricted investment earnings			57,625	23,837	81,462
Miscellaneous			4,322	-	4,322
Total general revenues			527,534	23,837	551,371
Change in net assets			161,613	(15,407)	146,206
Net assets at April 1, 2006			1,939,093	991,297	2,930,390
Net assets at March 31, 2007			<u>\$ 2,100,706</u>	<u>\$ 975,890</u>	<u>\$ 3,076,596</u>

The accompanying notes are an integral part of this statement.

Chester Township
BALANCE SHEET
Governmental Funds
March 31, 2007

	General Fund	Fire Fund	Road Fund	Improvement Revolving Fund	Park Fund	Other governmental funds	Total governmental funds
ASSETS							
Cash and investments	\$ 217,492	\$ 150,853	\$ 603,452	\$ 339,343	\$ 12,664	\$ 25,416	\$ 1,349,220
Receivables							
Accounts	294	-	-	-	-	-	294
Property taxes	6,439	6,447	6,499	-	-	-	19,385
Due from other governmental units	29,313	-	-	-	-	-	29,313
Prepaid items	9,642	13,714	-	-	-	-	23,356
Total assets	<u>\$ 263,180</u>	<u>\$ 171,014</u>	<u>\$ 609,951</u>	<u>\$ 339,343</u>	<u>\$ 12,664</u>	<u>\$ 25,416</u>	<u>\$ 1,421,568</u>
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable	\$ 18,590	\$ 227	\$ -	\$ 5,539	\$ 2,091	\$ -	\$ 26,447
Due to other governmental units	2,646	-	-	-	15	-	2,661
Total liabilities	21,236	227	-	5,539	2,106	-	29,108
Fund balances							
Reserved for prepaid items	9,642	13,714	-	-	-	-	23,356
Unreserved							
Undesignated, reported in							
General Fund	232,302	-	-	-	-	-	232,302
Special revenue funds	-	157,073	609,951	333,804	10,558	25,416	1,136,802
Total fund balances	241,944	170,787	609,951	333,804	10,558	25,416	1,392,460
Total liabilities and fund balances	<u>\$ 263,180</u>	<u>\$ 171,014</u>	<u>\$ 609,951</u>	<u>\$ 339,343</u>	<u>\$ 12,664</u>	<u>\$ 25,416</u>	<u>\$ 1,421,568</u>

The accompanying notes are an integral part of this statement.

Chester Township
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS**
March 31, 2007

Total fund balance—governmental funds		\$ 1,392,460
---------------------------------------	--	--------------

Amounts reported for governmental activities in the Statement of Net Assets
are different because:

Capital assets used in governmental activities are not financial resources and
are not reported in the governmental funds.

Cost of capital assets	\$ 932,180	
Accumulated depreciation	<u>(223,934)</u>	<u>708,246</u>
Net assets of governmental activities in the Statement of Net Assets		<u><u>\$ 2,100,706</u></u>

The accompanying notes are an integral part of this statement.

Chester Township
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Governmental Funds
For the year ended March 31, 2007

	General Fund	Fire Fund	Road Fund	Improvement Revolving Fund	Park Fund	Other governmental funds	Total governmental funds
REVENUES							
Property taxes	\$ 81,979	\$ 96,225	\$ 97,035	\$ -	\$ -	\$ -	\$ 275,239
Licenses and permits	13,111	-	-	-	-	-	13,111
Intergovernmental revenues - State	186,754	-	3,593	-	-	-	190,347
Charges for services	26,170	-	-	-	-	-	26,170
Investment earnings	12,675	5,338	25,765	12,762	409	680	57,629
Other	5,539	-	-	-	-	-	5,539
Total revenues	326,228	101,563	126,393	12,762	409	680	568,035
EXPENDITURES							
Current							
General government	166,870	-	-	-	-	-	166,870
Public safety	27,834	71,505	-	-	-	-	99,339
Public works	16,059	-	16,865	-	-	-	32,924
Community and economic development	19,725	-	-	-	-	-	19,725
Culture and recreation	-	-	-	-	50,941	-	50,941
Other governmental functions	18,455	-	-	-	-	-	18,455
Capital outlay	20,214	4,590	-	7,421	4,169	-	36,394
Total expenditures	269,157	76,095	16,865	7,421	55,110	-	424,648
Excess of revenues over (under) expenditures	57,071	25,468	109,528	5,341	(54,701)	680	143,387
OTHER FINANCING SOURCES (USES)							
Transfers in	-	5,000	-	75,000	50,000	-	130,000
Transfers out	(130,000)	-	-	-	-	-	(130,000)
Total other financing sources (uses)	(130,000)	5,000	-	75,000	50,000	-	-
Net change in fund balances	(72,929)	30,468	109,528	80,341	(4,701)	680	143,387
Fund balances at April 1, 2006	314,873	140,319	500,423	253,463	15,259	24,736	1,249,073
Fund balances at March 31, 2007	\$ 241,944	\$ 170,787	\$ 609,951	\$ 333,804	\$ 10,558	\$ 25,416	\$ 1,392,460

The accompanying notes are an integral part of this statement.

Chester Township
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**

For the year ended March 31, 2007

Net change in fund balances—total governmental funds	\$	143,387
--	----	---------

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures; in the Statement of Activities, these costs are depreciated over their estimated useful lives.

Depreciation expense	\$	(35,142)	
Capital outlay		<u>56,743</u>	21,601

Governmental funds report the entire proceeds from the sale of capital assets as revenue, but the Statement of Activities reports only the gain or loss on the sale of capital assets.

(3,375)

Change in net assets of governmental activities	\$	<u><u>161,613</u></u>
---	----	-----------------------

The accompanying notes are an integral part of this statement.

Chester Township
STATEMENT OF NET ASSETS
 Proprietary Funds
 March 31, 2007

ASSETS

	Business-type Activities - Enterprise Fund <u>Sewer</u>
CURRENT ASSETS	
Cash and investments	\$ 49,283
Accounts receivable	<u>23,409</u>
Total current assets	72,692
NONCURRENT ASSETS	
Restricted assets	
Cash and investments	186,552
Special assessments receivable	226,438
Interest receivable	6,550
Capital assets	
Utility system	1,380,850
Less accumulated depreciation	<u>(230,240)</u>
Net capital assets	1,150,610
Total noncurrent assets	<u>1,570,150</u>
Total assets	1,642,842
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accrued liabilities	11,173
Due to other governmental units	1,779
Bonds and other obligations, due within one year	<u>7,000</u>
Total current liabilities	19,952
NONCURRENT LIABILITIES	
Bonds and other obligations, less amounts due within one year	<u>647,000</u>
Total liabilities	<u>666,952</u>
NET ASSETS	
Invested in capital assets, net of related debt	496,610
Restricted for debt service	408,367
Unrestricted	<u>70,913</u>
Total net assets	<u>\$ 975,890</u>

The accompanying notes are an integral part of this statement.

Chester Township
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 Proprietary Fund
 For the year ended March 31, 2007

	Business-type Activities - Enterprise Fund <u>Sewer</u>
REVENUES	
Charges for services	\$ 36,764
OPERATING EXPENSES	
Administration	236
Operations	14,517
Depreciation	<u>27,617</u>
Total operating expenses	<u>42,370</u>
Operating income	(5,606)
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	23,837
Interest expense	<u>(33,638)</u>
Total nonoperating revenues (expenses)	<u>(9,801)</u>
Change in net assets	(15,407)
Net assets at April 1, 2006	<u>991,297</u>
Net assets at March 31, 2007	\$ <u><u>975,890</u></u>

The accompanying notes are an integral part of this statement.

Chester Township
STATEMENT OF CASH FLOWS
 Proprietary Funds
 For the year ended March 31, 2007

	Business-type Activities - Enterprise Fund Sewer
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 25,084
Payments to suppliers	(13,573)
Payments to employees	(1,187)
Net cash provided by operating activities	<u>10,324</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Special assessments	13,317
Principal paid on capital debt	(7,000)
Interest paid on capital debt	(33,697)
Net cash used for capital and related financing activities	<u>(27,380)</u>
CASH FLOW FROM INVESTING ACTIVITIES	
Investment earnings	<u>21,735</u>
Net increase in cash and investments	4,679
Cash and investments at April 1, 2006	<u>231,156</u>
Cash and investments at March 31, 2007	<u>\$ 235,835</u>
Reconciliation of cash and investments to the balance sheet	
Cash and investments	\$ 49,283
Restricted assets	<u>186,552</u>
	<u>\$ 235,835</u>
Reconciliation of operating loss to net cash provided by operating activities	
Operating income	\$ (5,606)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation expense	27,617
Change in assets and liabilities	
Receivables, net	(11,680)
Accrued liabilities	(2)
Due to other governmental units	(5)
Net cash provided by operating activities	<u>\$ 10,324</u>

The accompanying notes are an integral part of this statement.

Chester Township
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
Fiduciary Funds
March 31, 2007

	<u>Agency funds</u>
ASSETS	
Cash and investments	\$ <u>2,163</u>
LIABILITIES	
Deposits held for others	\$ <u>2,163</u>

The accompanying notes are an integral part of this statement.

Chester Township
NOTES TO FINANCIAL STATEMENTS
March 31, 2007

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Chester Township (Township) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township's accounting policies are described below.

Reporting Entity

The Township is a municipal corporation governed by an elected five-member Board. Generally accepted accounting principles require that if the Township has certain oversight responsibilities over other organizations, those organizations should be included in the Township's financial statements. Since no organizations met this criteria, none are included in the financial statements.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirement of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Chester Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
March 31, 2007

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation—Continued

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Township reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Fire Fund is used to account for a special tax millage levied by the Township for the operation of the fire department.

The Road Fund is used to account for property tax revenues levied to construct and maintain the streets of the Township.

The Improvement Revolving Fund is used to account for transfers from the General Fund to help fund future capital improvement projects in the Township.

The Park Fund is used to account for operating expenditures to maintain and improve the Township's parks.

The Township reports the following major proprietary fund:

The Sewer Fund accounts for the operation of the Township's sanitary sewer system.

The Township's only nonmajor fund is the Budget Stabilization Fund.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the Township's sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Chester Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
March 31, 2007

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation—Continued

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are charges to customers for sales and services. The enterprise funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

Assets, Liabilities and Net Assets or Equity

Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The Township reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under this standard, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standard also provides that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Township intends to hold the investment until maturity.

The Township has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the Township to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies or instrumentalities, United States government or federal agency obligation repurchase agreements, bankers' acceptances, state-approved investment pools and certain mutual funds.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of allowance for uncollectibles.

Chester Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
March 31, 2007

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities and Net Assets or Equity—Continued

Receivables and Payables—Continued

The Township bills and collects its own property taxes and also collects taxes for the county, school and State of Michigan. Taxes are levied on each December 1 on the taxable valuation of property (as defined by state statutes) located in the Local Governmental Unit as of the preceding December 31. Uncollectible real property taxes as of the following March 1 are turned over by the Township to the County for collection. The County advances the Township all these delinquent real property taxes. The delinquent personal property taxes remain the responsibility of the Township. The Township recognizes all available revenue from the current tax levy. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2006 state taxable value for real/personal property of the Township totaled approximately \$65,000,000. The ad valorem taxes levied consisted of .9664, 1.4826 and 1.4951 mills for the Township's general operations, fire protection and road improvements. These amounts are recognized in the respective General Fund, Fire Fund and Road Fund.

Inventories and Prepaid Items

All inventories are valued at cost using the first in/first out (FIFO) method. Inventories of governmental funds are recorded as expenditures when purchased rather than when consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets

Certain proceeds of the Sewer Fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Chester Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
March 31, 2007

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities and Net Assets or Equity—Continued

Capital Assets—Continued

Property, plant and equipment of the primary government, is depreciated or amortized using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	15-20
Buildings	10-40
Equipment	5-15
Vehicles	10-20
Utility systems	50

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

Chester Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
March 31, 2007

NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

The Township follows these procedures in establishing the budgetary information provided in the financial statements:

- a. Prior to March 31, the Township Clerk submits to the Township Board a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted at the Township Hall to obtain taxpayer comments.
- c. Prior to March 31, the budget is legally enacted through passage of a resolution.
- d. Supplemental appropriations, when required to provide for additional expenditures, are matched by additional anticipated revenues or an appropriation of available fund balance and must be approved by the Township Board. All appropriations lapse at year end.

The appropriated budget is prepared by fund, function and department. The Township Clerk may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Township Board. The legal level of budgetary control is the department level. The Township Board made several supplemental budgetary appropriations throughout the year.

Excess of Expenditures Over Appropriations

During the year ended March 31, 2007, actual expenditures exceeded appropriations in the Park Fund. These expenditures were funded with available fund balance.

NOTE C—DEPOSITS AND INVESTMENTS

Interest rate risk. The Township's investment policy limits investment maturities of various types of investments to various lengths as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. State law limits investments in commercial paper and corporate bonds to the two highest classifications issued by nationally recognized statistical rating organizations (NRSROs). The Township has no investment policy that would further limit its investment choices.

Chester Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
March 31, 2007

NOTE C—DEPOSITS AND INVESTMENTS—Continued

Concentration of credit risk. The Township does not have a concentration of credit risk policy. Concentration of credit risk is the risk of loss attributed to the magnitude of the Township investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of March 31, 2007, \$1,515,337 of the Township's bank balance of \$1,615,337 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk - investments. The Township does not have a custodial credit risk policy for investments. This is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Foreign currency risk. The Township is not authorized to invest in investments which have this type of risk.

Restricted Assets

The Sewer Fund collects a special assessment from each customer and is required to maintain the accumulated balances in a separate debt service reserve account. The balance at March 31, 2007 is \$186,552.

NOTE D—CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2007 was as follows:

	Balance April 1, 2006	Additions	Deductions	Balance March 31, 2007
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 55,710	\$ -	\$ -	\$ 55,710
Capital assets, being depreciated:				
Land improvements	50,395	34,685	5,000	80,080
Buildings	394,765	-	-	394,765
Equipment	60,439	22,058	-	82,497
Vehicles	319,128	-	-	319,128
Total capital assets, being depreciated	824,727	56,743	5,000	876,470

Chester Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
March 31, 2007

NOTE D—CAPITAL ASSETS—Continued

	Balance April 1, 2006	Additions	Deductions	Balance March 31, 2007
Governmental activities:—Continued				
Less accumulated depreciation:				
Land improvements	\$ 16,887	\$ 3,625	\$ 1,625	\$ 18,887
Buildings	97,706	10,019	-	107,725
Equipment	22,793	5,287	-	28,080
Vehicles	53,031	16,211	-	69,242
	<u>190,417</u>	<u>35,142</u>	<u>1,625</u>	<u>223,934</u>
Total accumulated depreciation	<u>190,417</u>	<u>35,142</u>	<u>1,625</u>	<u>223,934</u>
Total capital assets being depreciated, net	<u>634,310</u>	<u>21,601</u>	<u>3,375</u>	<u>652,536</u>
Capital assets, net	<u>\$ 690,020</u>	<u>\$ 21,601</u>	<u>\$ 3,375</u>	<u>\$ 708,246</u>
Business-type activities:				
Capital assets, being depreciated:				
Utility systems	\$ 1,380,850	\$ -	\$ -	\$ 1,380,850
Less accumulated depreciation:				
Utility systems	<u>202,623</u>	<u>27,617</u>	<u>-</u>	<u>230,240</u>
Total capital assets being depreciated, net	<u>1,178,227</u>	<u>(27,617)</u>	<u>-</u>	<u>1,150,610</u>
Capital assets, net	<u>\$ 1,178,227</u>	<u>\$ (27,617)</u>	<u>\$ -</u>	<u>\$ 1,150,610</u>

Depreciation

Depreciation expense has been charged to functions as follows:

Governmental activities:	
General government	\$ 5,298
Public safety	26,328
Culture and recreation	<u>3,516</u>
	<u>\$ 35,142</u>
Business-type activities:	
Sewer	<u>\$ 27,617</u>

Chester Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
March 31, 2007

NOTE E—INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund transfers:

During the year ended March 31, 2007, the General Fund transferred \$5,000 to the Fire Fund. The General Fund also transferred \$50,000 and \$75,000, respectively, to the Park Fund and the Improvement Revolving Fund to cover current year and future years capital outlay costs associated with the new township hall.

NOTE F—LONG-TERM DEBT

Summary of Changes in Long-Term Liabilities

The following is a summary of long-term liabilities activity for the Township for the year ended March 31, 2007.

	Balance April 1, 2006	Additions	Reductions	Balance March 31, 2007	Due within one year
Business-type activities:					
Revenue bonds	\$ 661,000	\$ -	\$ 7,000	\$ 654,000	\$ 7,000

The \$733,000 Ottawa County Wastewater Collection bonds of 1996 are due in installments ranging from \$7,000 to \$35,000 through June 2035. Interest is due semi-annually at 5.125 percent.

The Township was in compliance in all material respects with all the revenue bond ordinances at March 31, 2007.

Annual debt service requirements to maturity for debt outstanding as of March 31, 2007 follows:

Year ending March 31,	Business-type activities	
	Principal	Interest
2008	\$ 7,000	\$ 33,338
2009	7,000	32,979
2010	8,000	32,595
2011	11,000	32,108
2012	11,000	31,544
2013-2017	80,000	146,730
2018-2022	100,000	123,000
2023-2027	135,000	93,660
2028-2032	155,000	56,247
2033-2036	140,000	14,352
	<u>\$ 654,000</u>	<u>\$ 596,553</u>

Chester Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
March 31, 2007

NOTE G—OTHER INFORMATION

Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Township manages its liability and property insurance by participating in the Michigan Township Participating Plan (MTPP), a public entity risk pool providing liability and property coverage to its participating members. The Township pays an annual premium to MTPP for its insurance coverage. The MTPP is self-sustaining through member premiums and provides, subject to certain deductibles, occurrence-based casualty coverage for each incident and occurrence based property coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Various deductibles are maintained to place the responsibility for small charges with the insured. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

The Township manages its workers' compensation risk by participating in the Michigan Municipal League Workers' Compensation Insurance Fund (MMLWCIF), a public entity risk pool providing workers' compensation coverage to its participating members. The Township pays an annual premium to MMLWCIF for its workers' compensation coverage. The MMLWCIF is self-sustaining through member premiums and provides statutory workers' compensation coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

The Township carries commercial insurance for employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal and state government. Any disallowed claims, including amounts already collected, may constitute a liability to the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Township expects such amounts, if any, to be immaterial.

Commitments

At March 31, 2007, the Township had a contract agreement for construction of a new Township hall for approximately \$425,000. In addition, the Township anticipated incurring approximately another \$100,000 in land improvement and interior building costs. These expenditures will be financed with a bank loan and available fund balance.

NOTE H—PENSION PLANS

Defined Compensation Plan

The Township provides pension benefits for its supervisor, treasurer, clerk and board members through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Plan is administered through Symetra Financial, an independent third party. The Township contributes between \$600 and \$1,000 on behalf of the board members, depending on their position with the Township. The Board members are not required to contribute to the Plan. For the year ended March 31, 2007, pension expense was \$4,200. Board members did not contribute to the Plan.

NOTE I—ECONOMIC DEPENDENCY

State of Michigan shared revenues represent 59 percent of General Fund revenues.

REQUIRED SUPPLEMENTARY INFORMATION

Chester Township
Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
General Fund
For the year ended March 31, 2007

	Budgeted amounts			Variance with final budget- positive (negative)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 77,282	\$ 77,282	\$ 81,979	\$ 4,697
Licenses and permits	18,000	18,000	13,111	(4,889)
Intergovernmental revenues - State	180,000	180,000	186,754	6,754
Charges for services	23,700	23,700	26,170	2,470
Investment earnings	5,000	5,000	12,675	7,675
Other	4,800	4,800	5,539	739
Total revenues	308,782	308,782	326,228	17,446
EXPENDITURES				
Current				
General government				
Township board	4,984	4,984	4,760	224
Supervisor	15,563	15,563	15,153	410
Assessor	23,191	23,191	17,354	5,837
Legal and audit	30,000	30,000	23,607	6,393
Clerk	19,439	19,439	18,814	625
Board of review	1,007	1,007	1,119	(112)
General administration	44,395	44,395	43,636	759
Treasurer	20,101	20,101	20,045	56
Elections	3,575	3,575	4,346	(771)
Buildings and grounds	16,350	16,350	12,535	3,815
Cemetery	9,000	9,000	5,501	3,499
Public safety				
Law enforcement	13,500	13,500	14,055	(555)
Inspections	14,450	14,450	13,779	671
Public works				
Drains	2,000	2,000	641	1,359
Highways, streets and bridges	3,000	3,000	-	3,000
Street lighting	7,300	7,300	6,478	822
Weed control	6,000	6,000	8,940	(2,940)
Community and economic development				
Planning	10,300	10,300	8,713	1,587
Zoning	12,500	12,500	11,012	1,488
Other governmental functions	19,200	19,200	18,455	745
Capital outlay	10,500	23,500	20,214	3,286
Total expenditures	286,355	299,355	269,157	30,198
Excess of revenues over expenditures	22,427	9,427	57,071	47,644
OTHER FINANCING USES				
Transfers out	(10,000)	(130,000)	(130,000)	-
Net change in fund balance	\$ 12,427	\$ (120,573)	(72,929)	\$ 47,644
Fund balance at April 1, 2006			314,873	
Fund balance at March 31, 2007			\$ 241,944	

Chester Township
Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
Fire Fund
For the year ended March 31, 2007

	Budgeted amounts			Variance with final budget- positive (negative)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 91,000	\$ 91,000	\$ 96,225	\$ 5,225
Investment earnings	1,500	1,500	5,338	3,838
Other	500	500	-	(500)
Total revenues	93,000	93,000	101,563	8,563
EXPENDITURES				
Current				
Public safety	86,787	86,787	71,505	15,282
Capital outlay	9,000	9,000	4,590	4,410
Total expenditures	95,787	95,787	76,095	19,692
Excess of revenues over (under) expenditures	(2,787)	(2,787)	25,468	28,255
OTHER FINANCING SOURCES				
Transfers in	-	5,000	5,000	-
Total other financing sources	-	5,000	5,000	-
Net change in fund balance	\$ (2,787)	\$ 2,213	30,468	\$ 28,255
Fund balance at April 1, 2006			140,319	
Fund balance at March 31, 2007			\$ 170,787	

Chester Township
Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
Road Fund
For the year ended March 31, 2007

	Budgeted amounts			Variance with final budget- positive (negative)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 92,000	\$ 92,000	\$ 97,035	\$ 5,035
Intergovernmental revenues - State	3,000	3,000	3,593	593
Investment earnings	<u>12,000</u>	<u>12,000</u>	<u>25,765</u>	<u>13,765</u>
Total revenues	107,000	107,000	126,393	19,393
EXPENDITURES				
Current				
Public works	<u>92,700</u>	<u>92,700</u>	<u>16,865</u>	<u>75,835</u>
Net change in fund balance	<u>\$ 14,300</u>	<u>\$ 14,300</u>	109,528	<u>\$ 95,228</u>
Fund balance at April 1, 2006			<u>500,423</u>	
Fund balance at March 31, 2007			<u>\$ 609,951</u>	

Chester Township
Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
Improvement Revolving Fund
For the year ended March 31, 2007

	Budgeted amounts			Variance with final budget- positive (negative)
	Original	Final	Actual	
REVENUES				
Investment earnings	\$ 6,600	\$ 6,600	\$ 12,762	\$ 6,162
EXPENDITURES				
Capital outlay	-	52,500	7,421	45,079
Excess of revenues over (under) expenditures	6,600	(45,900)	5,341	51,241
OTHER FINANCING SOURCES				
Transfers in	-	75,000	75,000	-
Net change in fund balance	\$ 6,600	\$ 29,100	80,341	\$ 51,241
Fund balance at April 1, 2006			253,463	
Fund balance at March 31, 2007			\$ 333,804	

Chester Township
Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
Park Fund
For the year ended March 31, 2007

	Budgeted amounts		Actual	Variance with final budget- positive (negative)
	Original	Final		
REVENUES				
Investment earnings	\$ 100	\$ 100	\$ 409	\$ 309
EXPENDITURES				
Current				
Culture and recreation	8,520	48,520	50,941	(2,421)
Capital outlay	-	-	4,169	(4,169)
Total expenditures	8,520	48,520	55,110	(6,590)
Excess of revenues over (under) expenditures	(8,420)	(48,420)	(54,701)	(6,281)
OTHER FINANCING SOURCES				
Transfers in	10,000	50,000	50,000	-
Net change in fund balance	\$ 1,580	\$ 1,580	(4,701)	\$ (6,281)
Fund balance at April 1, 2006			15,259	
Fund balance at March 31, 2007			\$ 10,558	

OTHER SUPPLEMENTAL INFORMATION

Chester Township
COMBINING STATEMENT OF ASSETS AND LIABILITIES
 Agency Funds
 March 31, 2007

	<u>Total agency funds</u>	<u>Trust account</u>	<u>Tax account</u>
ASSETS			
Cash and investments	\$ <u>2,163</u>	\$ <u>2,000</u>	\$ <u>163</u>
LIABILITIES			
Deposits held for others	\$ <u>2,163</u>	\$ <u>2,000</u>	\$ <u>163</u>

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

June 11, 2007

Township Board
Chester Township
Conklin, Michigan

In planning and performing our audit of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Chester Township as of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Chester Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Chester Township's internal control. Accordingly, we do not express an opinion on the effectiveness of Chester Township's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, we identified and we have attached a deficiency in internal control that we consider to be a significant deficiency.

This communication is intended solely for the information and use of management, the Township Board, others within the Organization and is not intended to be and should not be used by anyone other than these specified parties.



SIGNIFICANT DEFICIENCIES

Recommendation 1: The internal controls surrounding the preparation of formal year end financial statements should be improved.

Small organizations with limited resources and personnel inherently have difficulty in establishing and maintaining effective internal accounting controls related to the preparation and review of the formal year end financial statements.

The Organization should review its procedures surrounding the preparation of year end financial statements to include the appointment of an individual with the requisite technical skills and experience to review the formal year end financial statements and accompanying footnotes, in relation to required disclosures in accordance with generally accepted accounting principles.